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CCP REVISES TAX RATES AND PROCEDURES

EDITOR DISCUSSES TAX ADJUSTMENTS -- Wu-hsi Su-nan Jih-pao, 14 Jul 50

This editorial was reprinted from the Peiping Jen-min Jih-pao.

The problem of tax adjustments has recently engaged the attention of high government officials, as evidenced by a directive from Mao Tse-tung, a special revenue conference called by the Central Government's Ministry of Finance and the Committee of Finance and Economics, and reports to the second session of the National Committee of the CPCC by Ch'en Yun and Po I-po. As a result, on 31 May 1950, the Government Administration Council promulgated a decision on the 1950 summer public grain levy in newly liberated areas, on 31 May the Committee of Finance and Economics reduced the salt tax, on 29 June the same committee announced revisions in tax collection, and other pronouncements are expected in the near future.

These actions have brought about the following changes:

1. The people's burdens have been lightened. The public grain levy in newly liberated areas has been reduced 4 percent over the preceding autumn, from 17 to 13 percent, or, including local taxes, from 20 to 14.95 percent, and the salt tax has been reduced 50 percent.
2. The commodity tax has been reduced and simplified. There are now 358 categories instead of 1,136.
3. The industry and commerce tax has undergone appropriate changes.
4. Various collection procedures have been brought into harmony. Based on Article 40 of the Common Program, two main principles may be cited as forming the basis for tax adjustments at present: (1) strengthening measures designed to balance the budget, and (2) emphasizing economic recovery and development.

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There are some who are satisfied with the new arrangements, others feel that the cuts are not deep enough or are too deep and threaten a deficiency in receipts. There are also speculators who see, in the reductions, financial instability with its resulting inflation.

Admittedly there are difficulties, but a budgetary balance can still be maintained. Although a cut was felt to be necessary to lighten the people's burden, the deficit may be offset by a corresponding saving in expenditures, accompanied by more stringent tax collections. Tax evasion or failure to complete collection quotas based on the new rates must therefore be carefully avoided.

The continued presence of disruptive and speculative elements may be seen by the rise in prices of import goods, such as rubber, sugar, Western medicines, gasoline, and gold, after the aggressive statements of Truman on 27 June 1950. Fortunately, however, this rise failed to affect the price of essential materials and may be again brought into line by the government within a short time.

The second principle, emphasis on production, is the basic objective of present tax-collection activities. This emphasis is shown in the nature of the taxation. The agricultural tax, for example, is applied only to primary products, and not to farm industry and animal husbandry, in which development is desired; it was reduced from 17 percent to 13 percent to encourage production; and it is calculated on the basis of a standard output, and collected on that basis despite actual production, thus rewarding zealous farmers who produce beyond the mark and placing limitations on the nonindustrious. Total exemption from the provisions of the commerce tax are also allowed for the marketing of the products of home and farm industries in rural areas and for the marketing of fish products, which serves the purpose of encouraging urban-rural exchange of goods.

With regard to the industry and commerce tax, the readjustment has continued the policy of applying a light tax on the producers of consumers' and capital goods. The tax was remitted entirely on many items and reduced on others.

To encourage the export trade, many items which have had low sales abroad are being granted tax refunds. Domestic consumption is also being encouraged by tax reduction in many basic articles.

The income tax has also been lowered, so that a levy of 5 percent now applies to a minimum income of 3 million yuan instead of one million. The maximum of 30 percent also applies now to 100 million yuan, instead of the previous 30 million yuan.

In addition, a policy of aiding private enterprise has been adopted, and encouragement has been given to private ownership of property by reduction in house and property taxes.

These and other measures concerned with accounting, assessment, and collection procedures have proved to be more effective than procedures previously in force, especially in regard to tax evasion in urban areas, which was widespread during the first part of 1950.

To enforce tax collection operations more strictly, all large cities have established, or are now establishing, tax review committees, consisting of delegates from the revenue bureaus, industry and commerce bureaus, and joint commerce and industry associations.

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CCP ORDERS TAX ADJUSTMENTS -- Wu-hsi Su-nan Jih-pao, 1 Jul 50

Peiping, 30 June (Hsin-hua) -- The following tax adjustments were ordered by the Finance and Economics Committee of the Government Administration Council to take effect throughout China on 1 July 1950. The order resulted from approval of tax-revision reports by Ch'en Yun and Po I-po to the second session of the National Committee of the CPCC and from requests from various localities. Other revisions are pending action by the Government Administration Council. Adjustments to take effect 1 July are as follows:

**A. Direct Taxes**

1. The provisional commerce tax will be computed on a ratio of 5 percent. Firms with a volume of business under 200,000 yuan are exempt. Merchants with fixed establishments who sell goods at outports may pay their tax at the place of sale at the rate for fixed merchants if they have a special certificate from the revenue bureau of the city of origin.

2. The tax on income from interest is set uniformly at 5 percent for both public and private banking enterprises.

**3. Stamp Tax**

a. Documents taxed according to the cash value involved, or at a fixed rate, shall be uniformly exempt if the value is less than 15,000 yuan, except tickets for amusement or entertainment.

b. All commercial invoices, except those taxable according to value, and receipts for money or goods, shall be liable to a fixed tax of 500 yuan; cash receipts must also bear the invoice date, number, amount of goods, and price.

c. Receipts for the payment of wages are exempt from provisions of the stamp tax.

d. Permits, licenses, passports, identification certificates or credentials, marriage certificates, and birth certificates shall be exempt from the stamp tax.

**B. Commodity Tax**

1. Changes in the tax schedule are as follows:

a. Exempt -- steel; domestic niter; earthenware; rugs and carpets, clocks, watches and parts; fountain pens and parts; phonographs and parts; cigarette lighters; automobiles and parts; lime; whitewash; handmade bricks; tiles; candle wax; hides; synthetic hides; metal cans; and needles, representing altogether 238 types of goods.

b. Partially exempt -- silk scarves, bandanas, handkerchiefs, silk lace, linens, raw wool, bristles, rabbit fur, industrial soap, fish oil for chemical purposes, paint, rubber for chemical uses, unrefined alkalies for chemical uses, sodium hydroxide, electric irons, refrigerators, electric fans, electric stoves, various plant oils, arsenic, ceramic clay, silicon, feldspar, quartz, mica, fire clay, heavy crystal, magnesia, toys, etc., amounting to a total of 74 types of goods.

Under the general category of partially exempt goods, the following items will not be subject to tax: all metal nails (16 types), with the exception of foreign nails; 26 types of rubber goods, excepting belting, tire tubes, shoes, soles, tubing, rubberized cloth, mats and battery cases; 33 types of bicycle parts, excluding wheels, steel rims, sprockets, axles, handles, frames, chains, seats and pedals.

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**2. Goods Merged With Other Tax Categories**

a. Thirty-three types of woven cotton articles are exempt from that category and placed in the category of cotton yarn, which shall be taxed at a rate of 15 percent.

b. Twenty types of woven woolen articles are exempt and placed under the wool yarn category, which shall be taxed at a new rate of 20 percent. Rough wool yarn used for rugs and carpets shall be taxed at a rate of 10 percent.

c. Thirty-four types of cured hides are exempt and placed under the raw hides category. Class A raw hides shall be taxed at a new rate of 15 percent, Class B at 10 percent.

**3. Goods Taxed at Reduced Rates**

a. Cigarettes -- Originally taxed at a uniform rate of 120 percent, cigarettes shall now be taxed according to price, taking factory or initial wholesale prices as the standard. Cigarettes valued at 7 million yuan per case or more shall be considered Class A, at a rate of 120 percent; 3.5 - 7 million yuan, Class B, 110 percent; 1.5 - 3.5 million yuan, Class C, 100 percent; all others, Class D, 90 percent.

b. Cigars -- Rate reduced from 120 to 100 percent.

c. Foreign liquors -- 120 to 100 percent.

d. White and yellow wines -- 100 to 80 percent.

e. Fortified wines -- 120 to 50 percent.

f. Cordials and beer -- 60 to 50 percent.

g. Medicinal alcohols -- 60 to 30 percent.

h. Denatured alcohol -- 100 to 30 percent.

i. Metal cans -- 30 to 20 percent.

j. Matches -- 20 to 15 percent.

k. Chemical alkalies -- 10 to 5 percent.

l. Firecrackers -- 30 to 20 percent.

m. Lead and sulfur -- 10 to 5 percent.

**4. Tax Rebates on Export Goods**

The commodity tax already paid on export goods shall be refunded on those items which have been granted exemption.

**C. Local Taxes****1. Stock Exchange Tax**

This tax shall be levied only on markets operated by brokers. Public enterprises, cooperatives, fixed commercial establishments, and other businesses not conducting their operations through brokers shall be exempt.

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## 2. House Property Tax

Those liable under regulations pertaining to the first half of 1950 shall be taxed according to original local provisional measures; those liable under the second half shall await new regulations.

## 3. Special Consumer Taxes

a. Banquet tax -- The minimum expenditure to which the tax applies has been changed to 50,000 yuan, and includes payment for vegetables and meats, liquors, rice, flour and pastries.

b. Hotel tax -- The minimum expenditure has been changed to 30,000 yuan, including room and board.

## 4. Butchery Tax

This tax shall not be levied on any person, government agency, troop unit, or popular organization which rears, slaughters, and consumes domestic animals for his or its personal use.

## 5. License Tax

The same arrangements shall apply as for the house property tax.

## NATIONAL CONFERENCE PROPOSES TAX ADJUSTMENTS -- Yang-chou Su-pei Jih-pao, 2 Jul 50

Peiping, 30 June (Hsin-hua) -- The second National Revenue Conference, which adjourned 17 June 1950 after a 20-day session, decided that tax adjustments and revisions were necessary to meet new economic conditions and to accord more closely with the tax policy outlined in the Common Program. The conference was attended by delegates of local revenue bureaus and industry and commerce.

The conference lauded such past achievements as nearly balanced budgets and price stabilization, but scored past defects and mistakes. At the same time, delegates recognized that a lightening of the burden of industry and commerce would be impossible now in view of present economic conditions, except for certain enterprises which are experiencing great hardships.

## NINGPO CARRIES OUT TAX ORDER -- Ningpo Yung-chiang Jih-pao, 4 Jul 50

The order of the Central Finance and Economic Committee to all local governments to adjust the industry and commerce tax, as of 1 July 1950, has been transmitted successively through the various levels for implementation. The Revenue Bureau of the Ningpo Special District was notified by the provincial bureau and transmitted the notice to the various hsien bureaus and tax collections stationed at factories, and also to municipal chambers of commerce, trade guilds, and public enterprises.

## EXPLAINS AGRICULTURAL TAX RATES -- Tsinan Ta-chung Jih-pao, 19 Jul 50

The Shantung government has promulgated regulations governing the summer grain levy in new and old liberated areas. The following is a study of the agricultural tax as applied to old liberated areas in Shantung:

The basic portion of the regulations is concerned with the question of tax rates, which have been made dependent on the amount of land in each household that will harvest in the summer season. If the amount to be harvested is up to 20 percent of total acreage, the rate per taxable mou (harvestable mou

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less exemptions) is 3 catties. For every additional 25 percent of total acreage subject to tax, the rate is increased by 6 liang /Chinese ounce/ to a limit of 10.5 catties per taxable mou at 70 percent of total acreage.

The tax rate outlined above was determined on the basis of 13 percent of the total amount of the summer harvest in the entire province, and then prorated on the average land holdings per individual, less exemptions. Statistically, the average is 2.3 mou per person, from which is deducted 0.7 mou per person in the form of exemptions, leaving 1.6 mou. It is supposed that the acreage to be harvested in the summer is 20 percent of the total, or 0.46 mou. According to the regulations, the yield per mou is fixed at 80 catties, so that 36.8 catties in this case would be taxable. At the general rate of 13 percent, the amount would be 4.784 catties. Since the tax rate is based on the amount of taxable mou, however, it is necessary to divide this amount by the 1.6 taxable mou, which leaves 2.99 catties. This is the amount due per dutiable mou and for tax purposes has been rounded off at 3 catties.

Since exemptions are progressive in old liberated areas, the uniform rate of 13 percent does not apply, but is modified as follows:

Av mou per person	1	2	3	4	5	6
Dutiable mou	0.3	1.3	2.3	3.3	4.3	5.3
Summer harvest land (%)	40	40	40	40	40	40
Summer harvest amount (catties)	32	64	96	128	160	192
Dutiable amount (catties)	1.8	7.8	13.8	19.8	25.8	31.8
Percentage	5.6	12.2	14.3	15.4	16.1	16.6

Thus, although each person is allowed a 0.7-mou exemption, tax responsibilities are not equal. The Central government provision that the total levy may not exceed 13 percent is not violated, however, because the Central government law stipulates that the total amount taxed is based on the regional district as the unit of computation, and not the individual household. A fair adjustment has been made in which the burden has been lightened on those families whose land holdings per person is comparatively small.

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